

CITY OF SAN DIEGO  
FISCAL YEAR  
**2008** PROPOSED  
BUDGET

# Executive Summary



# Executive Summary

## Introduction

The Fiscal Year 2008 Proposed Budget continues the corrective fiscal actions that began in Fiscal Year 2007. The road to fiscal recovery presents a significant challenge, but with the appropriate vision and financial plan, the City of San Diego will regain its economic strength. In November 2006, the Mayor released the Five-Year Financial Outlook. This document not only represented the City of San Diego's first true examination of its long range fiscal condition and financial challenges, but it also served as a roadmap in the development of the Fiscal Year 2008 Proposed Budget.



The Financial Outlook identified eight significant areas that require immediate City attention and resources:

1. Funding deferred maintenance and capital needs
2. Funding the City's ADA obligations
3. Funding the City's obligations under Storm Water Runoff Permits
4. Funding the City's contributions to the Pension Plan
5. Funding Retiree Health-Other Post Employment Benefits (OPEB)
6. Funding the General Fund Reserves
7. Funding the City's Public Liability Fund
8. Funding the City's Workers' Compensation Fund

The funding for each of these significant areas in the Fiscal Year 2008 Proposed Budget is described in the Fiscal Recovery Section of this Volume of the Mayor's budget.

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## City Overview

The City of San Diego's Fiscal Year 2008 Proposed Budget of \$2.886 billion is comprised of six main funds: the General Fund, Special Revenue Funds, Debt Service and Tax Funds, Capital Improvements Program Funds, Enterprise Funds, and Internal Service Funds. **Table 1** shows the change in funding from Fiscal Year 2007 to Fiscal Year 2008 by fund.

<b>TABLE 1 TOTAL CITY FUND CHANGES</b>			
<b>FUND TYPE</b>	<b>FY 2007 BUDGET</b>	<b>FY 2008 PROPOSED BUDGET</b>	<b>CHANGE</b>
General Fund	\$ 1,021,203,098	\$ 1,103,966,742	\$ 82,763,644
Debt Service Funds	\$ 12,136,700	\$ 17,408,852	\$ 5,272,152
Special Revenue Funds	\$ 242,930,505	\$ 250,579,674	\$ 7,649,169
Enterprise Funds	\$ 839,812,640	\$ 864,027,193	\$ 24,214,553
Internal Service Funds	\$ 106,664,199	\$ 155,086,672	\$ 48,422,473
Capital Improvements Program	\$ 293,671,493	\$ 454,620,552	\$ 160,949,059
Other Funds	\$ 39,908,893	\$ 40,163,071	\$ 254,178
<b>TOTAL</b>	<b>\$ 2,556,327,528</b>	<b>\$ 2,885,852,756</b>	<b>\$ 329,525,228</b>

## Citywide Personnel Reductions

The Fiscal Year 2008 Proposed Budget reflects a total reduction of 848.90 Full Time Equivalent (FTE) positions in the City, from 11,416.35 positions in Fiscal Year 2007 to 10,567.45 positions in Fiscal Year 2008. Of this amount, 671.53 FTE represent actual position reductions due to streamlining and Business Process Reengineering (BPR). The cost of these positions has been removed from the Fiscal Year 2008 Proposed Budget. The remaining 177.37 FTE have been eliminated to standardize the budgeting of hourly personnel and do not represent a reduction in staffing or budgeted resources.

## General Fund

Departments within the General Fund provide and maintain essential core community services such as public safety, parks and recreation, library services, and refuse collection as well as vital support functions such as finance and human resources. These core services are primarily supported by major revenue sources that include Property Tax, Sales Tax, Transient Occupancy Tax, and Franchise Fees.

The City's Fiscal Year 2008 Proposed Budget reflects General Fund revenues and expenditures totaling \$1.1 billion, representing an increase of \$82.8 million, or an 8.10 percent increase over the Fiscal Year 2007 Annual Budget. The proposed General Fund budget also includes 7,052.99 budgeted positions, a decrease of 464.63 positions over the Fiscal Year 2007 budget.

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## Enterprise Funds

Enterprise Funds account for specific services that are funded directly through user fees. Examples of these funds include Water, Metropolitan Wastewater, Development Services, Refuse Disposal and Recycling. Typically these funds are intended to be fully self-supporting and are not subsidized by the General Fund. The Fiscal Year 2008 Proposed Budget for Enterprise Funds is \$864 million representing an increase of \$24.2 million, or a 2.88 percent increase from the Fiscal Year 2007 Annual Budget. The increase is primarily due to increases in capital expenditures in both Water and Metropolitan Wastewater Departments of approximately \$175 million.

## Special Revenue Funds

Special Revenue Funds account for revenues that are received for specifically identified purposes. The larger funds include TransNet, Gas Tax, and Special Promotional Programs. The Fiscal Year 2008 Proposed Budget for Special Revenue Funds is \$250.6 million, representing an increase of \$7.6 million, or a 3.15 percent increase from the Fiscal Year 2007 Annual Budget.

## Debt Service And Tax Funds

Debt Service Funds are used for the payment of principal and interest on the General Obligation Public Safety Communication Bonds and for maintenance of zoological exhibits. Related financing and issuance costs are budgeted in the debt service funds. Tax Funds contain monies that are borrowed from the sale of Tax and Revenue Anticipation Notes (TRANS) on a short-term basis to meet the cash-flow requirements of the City prior to the receipt of property tax revenues. For the first time this fiscal year, TRANS will be budgeted in a separate fund to show the expense of the borrowing along with the earned interest for greater transparency. The Fiscal Year 2008 Proposed Budget for Debt Service and Tax Funds totals \$17.4 million representing an increase of \$5.3 million, or 43.4 percent.

## Capital Improvement Funds

The Capital Improvements Program (CIP) Budget supports construction projects such as the development of parkland, the construction of a sewer pump plant, the installation of a traffic signal and street lighting system, or the construction or remodeling of a City facility. These monies are derived from sources such as sewer and water fees, a half-cent local sales tax for transportation improvements (TransNet), Development Impact fees, State and federal grants, and/or the issuance of bonds. The Fiscal Year 2008 Proposed Budget for the Capital Improvements Program (CIP) totals \$454.6 million, which is an increase of \$160.9 million or 54.8 percent from the Fiscal Year 2007 Annual Budget.



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In Fiscal Year 2007, both the Water Department and Metropolitan Wastewater Department (MWW) successfully received rate increases that will support much needed capital improvement projects. The Water Department Fiscal Year 2008 CIP budget increased by approximately \$114.5 million and anticipates using these funds for major projects that include:

- \$31.2 million for Water Main Replacements
- \$13.2 million for Alvarado Water Treatment Plant Expansion
- \$44.6 million for Miramar Water Treatment Plant
- \$3.9 million for Security Upgrades
- \$5.8 million for Rancho Peñasquitos Pump Station
- \$19.2 million for Otay Water Treatment Plant

The Metropolitan Wastewater Department Fiscal Year 2008 CIP budget increased by approximately \$61.2 million and anticipates using these funds for major projects that include:

- \$42.4 million for pipeline repair, replacement, and rehabilitation
- \$18.6 million for replacement of trunk sewers
- \$19.8 million for repair and upgrade of pump stations
- \$7.6 million for repair and upgrade of treatment plants

## Internal Service Funds

Internal Service Funds are created to finance and account for services provided by one City department to another City department or division. Services provided by Internal Service Fund departments are paid by fees or fund transfers. The Fiscal Year 2008 Internal Service Funds proposed budget totals \$155.1 million, which is an increase of \$48.4 million or a 45.4 percent increase from the Fiscal Year 2007 Annual Budget. This increase is primarily attributed to the restructuring of the Fleet Maintenance Program in which the City's motive equipment and personnel resources were centralized within the General Services – Equipment Division.

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**Table 2** displays the overall net changes to both General Fund revenues and General Fund expenditures. The General Fund revenue is balanced with the General Fund expenditure requirements. The expenditure changes from Fiscal Year 2007 to Fiscal Year 2008 are included below.

<b>TABLE 2 GENERAL FUND REVENUE GROWTH OVER FISCAL YEAR 2007 BUDGET</b>	
<b>Net revenue growth</b>	<b>\$ 82.8 million</b>
<b>GENERAL FUND EXPENDITURE GROWTH OVER FISCAL YEAR 2007 BUDGET</b>	
Public Safety gross increase in contracted salaries and benefits (includes all departments within the Public Safety Business Center)	\$ 46.5 million
Public Safety annualization of facility operating costs	\$ 2.6 million
Public Safety additions	\$ 2.0 million
Non-Public Safety gross increase in contracted salaries and benefits	\$ 17.2 million
Non-Public Safety new facility and annualization operating costs	\$ 1.4 million
Non-Public Safety additions	\$ 32.2 million
Increase in Retiree Health Care (OPEB)	\$ 13.5 million
Non-discretionary accounts (insurance, energy, vehicle usage, information technology, etc.)	\$ 13.3 million
Public Liability	\$ 8.0 million
Implementation of Kroll Remediation Recommendations	\$ 1.1 million
Addition for the Enterprise Resource Planning (ERP) System	\$ 0.5 million
Other Department Transfers/Reorganizations/Reductions	\$ 0.1 million
<b>Total Expenditure Requirements</b>	<b>\$ 138.4 million</b>
Personnel Vacancy Savings	\$ (37.4 million)
Department Funding Reductions	\$ (18.2 million)
<b>Net Expenditure Requirements</b>	<b>\$ 82.8 million</b>

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**Table 3** represents the expenditure change in the General Fund over the last three fiscal years. **Table 4** identifies the allocation of General Fund dollars to the Police and Fire-Rescue departments compared to the remaining General Fund departments. In Fiscal Year 2008, the General Fund increased by approximately \$82.8 million, or approximately 8.10 percent from Fiscal Year 2007 with the Police and Fire-Rescue Departments receiving \$41.2 million, or approximately 49.75 percent of the expenditure increase to the General Fund.

TABLE 3 GENERAL FUND EXPENDITURE GROWTH SUMMARY FISCAL YEARS 2006-2008			
	FY 2006	FY 2007	FY 2008
Total General Fund Budget	\$ 864,919,912	\$ 1,021,203,098	\$ 1,103,966,742
Percent Change from previous year	5.81%	18.07%	8.10%

TABLE 4 GENERAL FUND EXPENDITURE ALLOCATION FISCAL YEARS 2006-2008			
	FY 2006	FY 2007	FY 2008
Police and Fire-Rescue Budgets	\$ 496,815,077	\$ 529,644,385	\$ 570,816,448
Percent of Total General Fund Budget	57.44%	51.86%	51.71%
Other General Fund Department Budgets	\$ 368,104,835	\$ 491,558,713	\$ 533,150,294
Percent of Total General Fund Budget	42.56%	48.14%	48.29%

## Total City Personnel

The Fiscal Year 2008 Proposed Budget includes a total of 10,567.45 positions; 7,052.99 of these positions are budgeted within the General Fund. **Table 5** presents the change in positions from Fiscal Year 2007 to 2008. A total for Maintenance Assessment Districts has also been included.

Significant position changes are reflected within the General Fund, Special Revenue Funds, Enterprise Funds, and Internal Service Funds.



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TABLE 5 TOTAL CITY POSITION CHANGE			
FUND TYPE	FY 2007 BUDGET	FY 2008 BUDGET	CHANGE
General Fund	7,517.62	7,052.99	(464.63)
Special Revenue Funds	301.78	243.13	(58.65)
Enterprise Funds	3,009.63	2,641.01	(368.62)
Internal Service Funds	500.23	545.48	45.25
Maintenance Assessment Districts	25.09	22.84	(2.25)
Other Funds	62.00	62.00	0.00
<b>TOTAL</b>	<b>11,416.35</b>	<b>10,567.45</b>	<b>(848.90)</b>

The Five-Year Financial Outlook established a framework for the development of the Fiscal Year 2008 Proposed Budget and established a target of 671.53 FTE that would be removed from the budget. Most of these positions had been vacant for a period of time and others were eliminated while maintaining the core services for the citizens of San Diego. Through the efforts of Business Process Reengineering (BPR) and organizational restructuring the City achieved this goal.

The Fiscal Year 2008 Proposed Budget includes 10,567.45 Full Time Equivalents (FTE) representing an 848.90 position reduction from the Fiscal Year 2007 budgeted FTE total of 11,416.35 positions. This decrease is the result of several budgetary decisions. First, the reduction includes the elimination of 671.53 FTE including management and supervisory positions due to streamlining and Business Process Reengineering (BPR). These positions are no longer funded positions in the City and represent a real reduction in labor costs. Second, 177.37 FTE were removed from the Fiscal Year 2008 Proposed Budget to standardize the budgeting of hourly personnel across the City to better track the number of part-time and hourly staff and increase accountability for expenditures. The funding for part time and hourly staff remain in the budget and are therefore not included in the position reduction total of 671.53 FTE.





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**Table 6** shows the position change in the General Fund over the last three fiscal years. **Table 7** displays the percentage of positions in the Police and Fire-Rescue departments compared to the remaining General Fund departments. In Fiscal Year 2008, General Fund positions decreased by 464.63, or approximately 6.18 percent from Fiscal Year 2007. The Fiscal Year 2008 budgets for the Police and Fire-Rescue Departments include 3,946.46 positions or approximately 55.95 percent of total General Fund positions. The positions in these departments changed from 2,818 FTE to 2,801.5 FTE for Police and from 1,191.26 FTE to 1,144.96 FTE for Fire-Rescue due to a variety of factors that include Business Process Reengineering and the standardization of hourly FTE. The Police and San Diego Fire-Rescue Departments reduced 104 positions due to restructuring of the Fleet Maintenance Program: 87.5 FTE were transferred to the General Services Department-Equipment division while 16.5 FTE were eliminated.

<b>TABLE 6 GENERAL FUND POSITION SUMMARY FISCAL YEARS 2006-2008</b>			
	<b>FY 2006</b>	<b>FY 2007*</b>	<b>FY 2008</b>
Total General Fund Budgeted FTE	6,765.36	7,517.62	7,052.99
Percent Change from previous year	-2.73%	11.12%	-6.18%

\*The increase of positions in Fiscal Year 2007 was due to including formerly unbudgeted supplemental positions.

<b>TABLE 7 GENERAL FUND BUDGETED POSITIONS FISCAL YEARS 2006-2008</b>			
	<b>FY 2006</b>	<b>FY 2007</b>	<b>FY 2008</b>
Police and Fire-Rescue Budgets	3,883.23	4,009.26	3,946.46
Percent of Total General Fund Budget	57.40%	53.33%	55.95%
Other General Fund Department Budgets	2,882.13	3,508.36	3,106.53
Percent of Total General Fund Budget	42.60%	46.67%	44.05%

## Retirement, Retiree Healthcare, and Other Benefits

The Retirement contribution in Fiscal Year 2008 is budgeted at \$165 million which includes \$137.7 million for the Annual Required Contribution (ARC), \$20 million for ARC Plus, and \$7.3 million to begin to payback the pension plan for assets spent inappropriately in prior years on retiree health. The Retirement Offset contribution in Fiscal Year 2008 is \$19.2 million. The Retirement Offset account represents the amount of City employees' retirement contributions that the City pays or offsets, for employees. The Retiree Health Contribution is budgeted at \$23.1 million in Fiscal Year 2008, an increase of \$1.2 million over the Fiscal Year 2007 amount of \$21.9 million. This account provides for the annual health coverage of City of San Diego retirees.

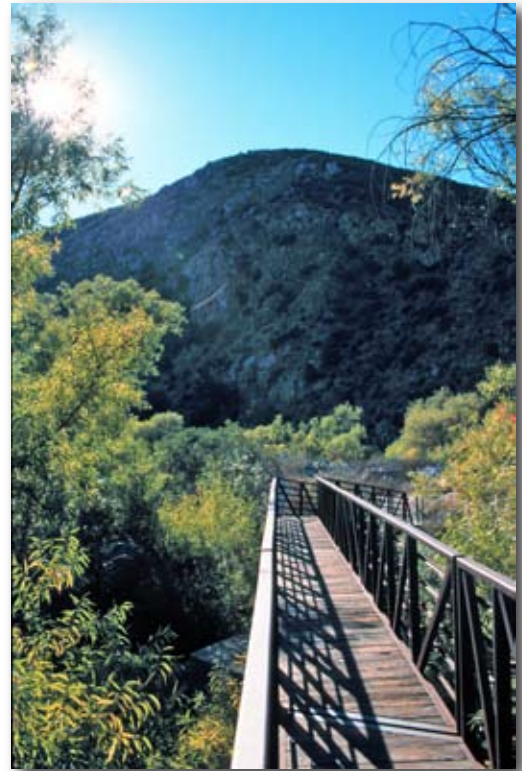
The Fiscal Year 2008 Proposed Budget includes a one-time revenue adjustment for the employee pick-up savings. In prior years the tobacco revenue was received at the end of the fiscal year and realized as revenue in the following fiscal year. Last year, in Fiscal Year 2006, the tobacco revenue was securitized

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and an additional \$108.3 million was transferred into the pension plan above the legally required contribution of \$163 million. The employee contributions or pick up savings from Fiscal Year 2007 is being collected this fiscal year and \$10.1 million in revenue is budgeted in Fiscal Year 2008. In addition, the employee pick-up savings that will be collected throughout Fiscal Year 2008 is also budgeted as revenue in the next fiscal year. The total budgeted revenue in this category in Fiscal Year 2008 is \$20.2 million; this is a one-time revenue adjustment for Fiscal Year 2008 and in future years employee pick up savings will be budgeted solely in the year it is collected.

## Workers' Compensation

Workers' Compensation laws ensure that employees who are injured or disabled on the job are provided with fixed monetary awards. These laws are intended to reduce litigation and provide benefits for dependents of workers who suffer work-related accidents or illnesses. State Workers' Compensation statutes establish this framework of laws for the City of San Diego. The Workers' Compensation contribution in the Fiscal Year 2008 budget is \$26.1 million, an increase of \$2.7 million from Fiscal Year 2007.



## Salary & Wages and Vacancy Factor

The budgeted salaries and wages in the Fiscal Year 2008 Proposed Budget totals \$698.4 million of which \$484.8 million is budgeted within the General Fund. This represents an overall net reduction of \$20.7 million in salary/wages expense from the Fiscal Year 2007 Annual Budget. This budget reduction can be attributed to the elimination of 671.53 positions from the Fiscal Year 2008 Proposed Budget. The Fiscal Year 2008 Proposed Budget incorporates a 4 percent salary increase for employees represented by the Municipal Employees Association (MEA), AFSCME Local 127, and classified/unrepresented employees. The Proposed Budget includes a budgeted set aside for increased expense for salaries in the Police Department but this is only an estimate due to ongoing labor negotiations at the time the budget was published.

The Vacancy Factor estimates the savings in personnel expenses attributable to vacancies, attrition, leaves of absences, etc. throughout the fiscal year. All authorized positions are generally not filled throughout the fiscal year, resulting in savings from short-term vacancies, under-filled positions and newly hired employees who may start at a lower salary than the average budgeted salary for a given position. These estimates of vacancy savings will be reviewed throughout the fiscal year and adjusted if warranted to give departments as much flexibility as possible to fill approved, budgeted positions while maximizing savings.

In preparing the Fiscal Year 2008 Proposed Budget, General Fund departments projected position vacancies for Fiscal Year 2008. A 3 percent standard vacancy factor was established as a baseline reduction; however, if a department identified a vacancy savings greater than 3 percent, the savings amount was implemented. Departments with less than 10 positions were not assessed a vacancy factor.

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Non-General Fund departments were assessed a 3 percent vacancy factor with the exception of Metropolitan Wastewater with no vacancy factor and Development Services Department with a 16.9 percent vacancy factor. These two Non-General funds have unique organizational changes and business processes in Fiscal Year 2008 that support these vacancy factors. The General Fund budgeted vacancy factor for Fiscal Year 2008 is \$37.4 million, while the citywide vacancy factor is \$49.7 million.



## New Facilities

The Fiscal Year 2008 Proposed Budget includes \$4 million in operating funds for new facilities. This funding will support start-up costs and operations of new Police, Fire-Rescue, and Park and Recreation facilities or provide annual support to facilities that opened during Fiscal Year 2007 and received partial funding.

Typically, new facilities are paid from restricted funds which support the construction or acquisition costs,

referred to as capital expenses. These types of funds include Facilities Benefit Assessment (FBA) Fees, Development Impact Fees (DIF), and Community Development Block Grants (CDBG). In most cases these fees are restricted for capital projects only and cannot be used for operating expenses, including maintenance. As a result, the General Fund must support the operations of the facility (such as a new library, playground or an expanded grass field) once the project is completed.

## Park and Recreation – Annualizations and New Facilities

The Park and Recreation Department has the following annualizations for Fiscal Year 2008 Proposed Budget. The proposed budget includes additional staff and operating support for the following facilities that opened in Fiscal Year 2007:

- Camino Ruiz Neighborhood Park
- Edison Elementary School Joint Use
- Naval Training Center Phase I
- Nobel Athletic Area and Recreation Center
- Normal Heights Elementary School Joint Use
- Citywide Additional Open Space – 400 Acres
- Paradise Hills Community Park Improvements
- Charles L. Lewis, III Memorial Skate Park

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The Park and Recreation Department plans to open the following facilities in Fiscal Year 2008. The Fiscal Year 2008 budget includes the funding for additional staff and operating support for these facilities:

- Florence Joyner Elementary School Joint Use
- Kennedy Porter Elementary School Joint Use
- Ocean View Hills Elementary Joint Use
- Citywide Additional Open Space – 200 Acres
- Park de la Cruz (Phase II)
- Rancho Encantada Neighborhood Park
- Rodriquez Elementary School Joint Use
- Teralta Park Comfort Station and Bike/Pedestrian Corridors
- Thurgood Marshall School Joint Use
- Torrey Del Mar Neighborhood Park

## San Diego Fire-Rescue – New Facilities

Fire Station 47 is scheduled to open in Fiscal Year 2008. The Fiscal Year 2008 Proposed Budget includes the addition of 7.56 positions and operating funding totaling \$1.1 million to cover the requirements of operating this new facility.

## San Diego Police – New Facilities

The Northwestern Area station opened in Fiscal Year 2007. The Fiscal Year 2008 Proposed Budget includes the addition 4.50 civilian positions and operational funding that totals \$1.5 million. The Police



Department requested an additional 15.50 FTE in sworn officer positions for this station that are not included in the Fiscal Year 2008 Proposed Budget. The department is experiencing a large number of vacancies in sworn positions and as a result additional sworn positions were not added to the budget.



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## Citywide Restructuring/Reorganization

The Fiscal Year 2008 Proposed Budget reflects several departmental restructures as a result of Business Process Reengineering and department initiated reorganizations. The following provides an overview of significant changes to the City's organizational structure that are included in the Fiscal Year 2008 Proposed Budget.



- **Commission for Arts and Culture** – The Commission for Arts and Culture has transitioned from Neighborhood and Customer Services to Community and Legislative services.
- **Fleet Maintenance** – During the Business Process Reengineering of the City's Fleet Maintenance Program, it was determined that all City fleet resources should be consolidated within the General Services Department – Equipment Division. The BPR results in personnel transfers that will occur between the Police Department and General Services and San Diego Fire-Rescue and General Services and the elimination of 16.5 FTE. The Fiscal Year 2008 Proposed Budget includes all restructures from the Fleet BPR.
- **Park and Recreation** – Park Planning Division – Resources from the Park and Recreation Department's Park Planning Division have been moved into the Planning Department and the Engineering and Capital Projects Department.
- **Park and Recreation and Library** – The Park and Recreation Department and Library have moved from Neighborhood and Customer Services and now these departments are under Business and Support Services.
- **Office of the Chief Operating Officer (COO)** – In the Fiscal Year 2008 Proposed Budget, the staff budgeted in the Office of the COO was transitioned to several departments which includes the Mayor's Office, Public Works, Land Use and Economic Development, Business Operations and Administration, Community and Legislative Services, Office of Ethics and Integrity, Office of the Chief Financial Officer, and Public Safety. The Deputy Chiefs are budgeted within their respective business centers and the COO and support staff are budgeted in the Office of the Mayor.
- **Office of the Independent Budget Analyst (IBA)** – In the development of the Fiscal Year 2007 Annual Budget, the Office of the IBA was created as part of Council Administration. In the Fiscal Year 2008 Proposed Budget, the Office of the IBA has been restructured and made into its own department.
- **Disability Services** – In an effort to create greater efficiencies the Community and Economic Development Department was restructured. As a result, Disability Services moved from Community and Economic Development to the Office of Ethics and Integrity.
- **Storm Water Pollution Prevention Program** – In the Fiscal Year 2008 Proposed Budget, the Storm Water Pollution Prevention Program was moved from the Metropolitan Wastewater Department (MWWD) and into the General Services Department.

## General Fund Revenues

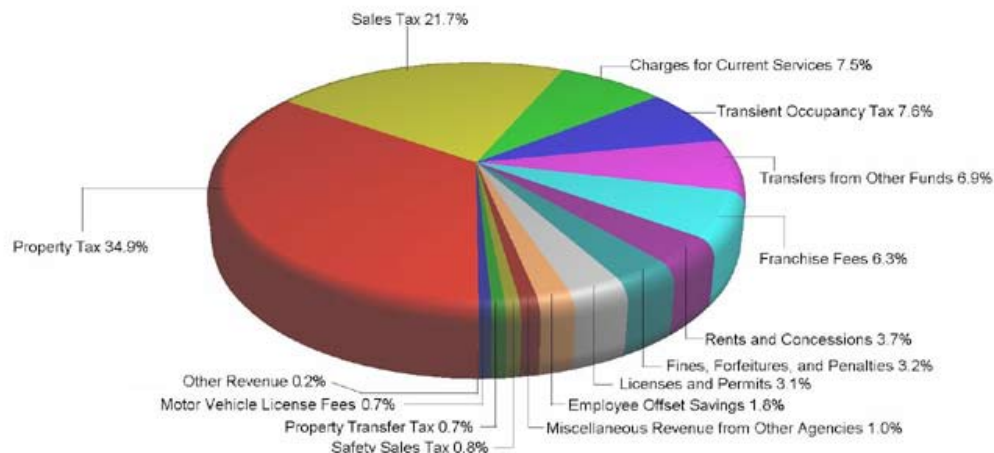
The growth in City revenue depends primarily on the economic activity in the City and the region. During an economic expansion, revenues increase and conversely during an economic slowdown revenues decline. The key economic factors, such as population growth, unemployment and job growth rates contribute to determining revenue trends and revenue growth projections in the budget. While the majority of the City's revenue is primarily affected by local economic conditions, Statewide economic trends also impact the City's revenue sources along with the policy decisions at the State and national levels.

### Key economic and demographic factors that formed the basis for revenue estimates in the Fiscal Year 2008 Proposed Budget:

- San Diego economy will continue to show a positive growth, though at a slower pace, and is expected to exceed the State and national economic trends in 2007.
- San Diego's Gross Regional Product is projected to increase by 2.5 percent in 2007, compared to 2.4 percent in California and 2.1 percent for the nation.
- San Diego's real estate market will continue to remain in a period of price correction; however, the region continues to be a highly desirable place to live and work.
- San Diego's population is projected to increase by 25,838 from 1,311,162 to 1,337,000 by January 1, 2008.
- San Diego's employment is expected to grow in 2007: 16,000 jobs are estimated to be added in 2007.
- San Diego's leisure and hospitality market will continue to moderately grow in 2007 with new hotels coming on line and the region continuing to be a top visitor destination.
- San Diego's unemployment rate is expected to be 4.1 percent in 2007.
- San Diego's retail sales sector of the economy is forecasted to experience some slowdown in 2007.

The Fiscal Year 2008 Proposed Budget General Fund Revenue Budget totals \$1.10 billion, with major sources, including property tax, sales tax, transient occupancy tax and franchise fee, comprising 70.5 percent.

### General Fund Revenues Fiscal Year 2008 Proposed Budget - \$1.10 Billion





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Below are the growth rates for Fiscal Years 2005-2008 for the major General Fund revenues. Forecasting of these revenue growth rates is important in determining funding for most General Fund expenditures. Each revenue source is forecasted independently using information about actual receipts, historical trends and State and national economic forecasts, including the UCLA Anderson Business Forecast, San Diego Regional Chamber of Commerce and University of San Diego Index of Leading Economic Indicators. It should be noted that for the purpose of revenue forecasting, budgeted growth rates are applied to year-end projections (of actual receipts), and do not represent the percentage increase from one year's budget to the next.

TABLE 8				
MAJOR REVENUE SOURCES	FY 2005 BUDGETED GROWTH RATE	FY 2006 BUDGETED GROWTH RATE	FY 2007 BUDGETED GROWTH RATE	FY 2008 PROPOSED GROWTH RATE
Property Tax	8.0%	7.5%	7.25%	6.0%
Sales Tax	5.0%	4.5%	4.75%	3.0%
Transient Occupancy Tax	6.0%	5.0%	6.0%	6.0%
Franchise Fees*				
SDG&E	5.0%	7.5%	7.5%	8.5%
Time Warner	5.0%	7.5%	7.5%	7.5%
Cox	5.0%	7.5%	7.5%	7.5%

\*Does not reflect growth of the Utility Underground Surcharge

## State Budget Impacts

In Fiscal Year 2008, the budget for the State of California as introduced by Governor Schwarzenegger includes a package of new funds that are likely to have a positive impact on the City of San Diego. Pending the passage of the Fiscal Year 2007-2008 California State Budget, the City may receive new funds from the State that include bond proceeds from Propositions 1B, 1C, 1E, and 84 passed by voters in November 2006. The majority of these funds will be restricted for specific purposes and deposited into accounts outside of the City's General Fund. These budget allocations may be modified after the State's May Budget revision, expected to be released in mid-May. The City's Fiscal Year 2008 Proposed Budget does not make assumptions on how much the City will receive from this bond package with the exception of Proposition 1B transportation-related funds.

In Fiscal Year 2008, the City should receive infusions of State money that are restricted for specific uses by General Fund departments. In Fiscal Year 2008, the City should receive \$5.2 million annually from the State for booking fee reimbursements as long as the State Legislature appropriates a full \$35 million for statewide reimbursement to local governments. The remainder of State assistance to the City consists of annual payments for the Citizen's Options for Public Safety/Juvenile Justice Crime Prevention. For Fiscal Year 2008, this amount is expected to be \$1.5 million. Each of these General Fund revenues is explained in more detail in the General Fund Revenue section of Volume I of the Fiscal Year 2008 Proposed Budget.

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The City will also receive a total \$784,000 for library related assistance from the State. The majority of these funds are allocated through the State's Public Library Fund for Local Assistance and deposited directly into the City's Library Grant Fund. The balance is given to City libraries from the State's Teleconnect Fund with the amount allocated dependent directly on how much City libraries spend on telecommunications.

The City will not receive any State funds related to Proposition 42 in Fiscal Year 2008, a reduction of \$9.5 million from Fiscal Year 2007; in Fiscal Year 2007, Proposition 42 funds were not budgeted in the Fiscal Year 2007 Annual Budget. The reduction in City funds resulting from this gap in Proposition 42 payments is expected to be largely offset by the allocation of Proposition 1B dollars in Fiscal Year 2008. These funds are set aside for the improvements of local streets and roads as well as interstate highways. Proposition 42 payments to the City will resume in Fiscal Year 2009.

Potential impacts to the City of San Diego are summarized in **Table 9** below:

TABLE 9	
STATE PROGRAM	FY 2008 BUDGET IMPACT
General Fund	
Booking Fees	\$ 5.2 million
Citizen's Option for Public Safety/Juvenile Justice Crime Prevention	\$ 1.5 million
Non-General Fund	
Public Library/CA Teleconnect Fund	\$ 0.8 million
Proposition 42 "Gap Year"	\$ (9.5 million)
Proposition 1B (estimated)	\$ 12.0 million
<b>TOTAL</b>	<b>\$ 10.0 million</b>

## Conclusion

The Fiscal Year 2008 Proposed Budget for the City totals \$2.886 billion, with \$1.1 billion budgeted in the General Fund. A total of 671.53 positions have been removed from the City's budget. The budget incorporates the fiscal policies and initiatives outlined in the Five-Year Financial Outlook released by the Mayor in November 2006. The proposed budget funds the significant areas outlined in the Financial Outlook and maintains the City's core services.

